FOR RELEASE
FEB. 25, A. M.
1954

The DEMAND and PRICE SITUATION

WASHINGTON, D. C., FEB. 1954

AMS

Approved by the Outlook and Situation Board, February 18, 1954

SUMMARY

Prices of farm products have increased moderately in recent months reflecting the seasonal tapering off in marketings and the heavy movement of wheat, corn, cotton and other commodities under price support programs. In mid-January the index of prices received by farmers was 4 percent above November but still 3 percent below January 1953. Prices of farm products may hold fairly steady near levels of a year earlier at least until 1954 crop prospects begin to influence the market. Farmers' cash receipts in January were only slightly below a year earlier.

Economic activity eased off further in December and January. Adjustments in production are likely to continue moderate during the current quarter as large inventories are futher reduced. Industrial output in January was down about 1 1/2 percent from December reflecting declines in production of primary metals, some types of producers equipment, ordnance, textiles and apparel.

(Continued on page 3)

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1952 Year	1953 Jan.	1953 Oct.	1953 Nov.	1953 Dec.	1954 Jan.
Industrial production 1/ #							
Total	1947-49=100	124	134	132	129	127	p125
All manufacturers	do.	125	136	134	131	128	p126
Durable goods	do.	136	154	151	146	143	p140
Nondurable goods	do.	114	117	117	115	113	p112
Minerals	do.	114	116	114	111	111	p113
Construction activity 1/ #							
Contracts, total	1947-49=100	183	190	230	224	208	
Contracts, residential	do.	183	173	183	176	177	
Wholesale prices 2/ #							
All commodities	1947-49=100	112	110	110	110	110	111
All commodities except farm and food	do.	113	113	115	114	115	114
Farm products	do.	107	100	95	94	94	98
Processed foods	do.	109	106	105	104	104	106
Prices received and paid by farmers 3/							
Prices received, all products #	1910-14=100	288	268	249	249	254	259
Prices paid, interest, taxes, and wage rates	do.	287	284	276	277	278	282
Parity ratio		100	94	90	90	91	92
Consumers' price 2/ 4/ #							
Total	1947-49=100	114	114	115	115	115	
Food	do.	115	113	114	112	112	
Income							
Nonagricultural payments 5/	Bil. dol.	249.9	261.1	270.5	269.0	267.2	
Production worker pay rolls 2/ #	1947-49=100	135.3	148.4	149.4	145.7	144.2	
Weekly earnings of production workers 2/ #							
All manufacturing	Dollars	67.97	71.34	71.73	71.60	71.96	70.92
Durable goods	do.	73.04	76.91	77.49	76.73	77.52	76.59
Nondurable goods	do.	60.98	62.88	63.50	63.73	64.06	63.53
Employment							
Total civilian 6/	Millions	61.3	60.5	62.2	61.9	60.8	59.8
Nonagricultural 6/	do.	54.5	55.1	55.1	55.3	55.3	54.4
Agricultural 6/	do.	6.8	5.5	7.2	6.7	5.4	5.3
Government finance (Federal) 7/	Million dollars						
Income, cash operating		5,950	5,239	2.950	5,396		
Outgo, cash operating	do.	6,082	5,442	5,759	6,258		
Net cash operating income or outgo	do.	-132	-203	-2,809	-862		

Annual data for the years 1929, 1932 and 1935-52 appear on page 26 of the April 1953 issue of the Demand and Price Situation.

1/ Federal Reserve Board. Construction activity revised to 1947-49 base. 2/ U. S. Department of Labor, Bureau of Labor Statistics. 3/ U. S. Department of Agriculture, Bureau of Agricultural Economics; to convert prices received and prices paid, interest, taxes, and wage rates to the 1935-39 base, multiply by .93110 and .79872 respectively. 4/ Index of change in prices of goods and services purchased by city wage-earner and clerical-worker families to maintain their level of living. 5/ U. S. Department of Commerce revised figures, seasonally adjusted at annual rates. 6/ U. S. Department of Commerce, Bureau of the Census. 7/ U. S. Department of Treasury.
Data for 1952 are on average monthly basis.
Revised series. p= Preliminary.

CONTENTS

Continued from cover page

Auto output rose in January from reduced levels in November and December but was cut back somewhat in early February. Steel production was maintained through mid-February at about 75 percent of capacity. Construction activity, adjusted for seasonal variation, has been well maintained in recent months and in January was at a record for the month, about 3 percent above a year earlier.

Despite the falling off in employment in manufacturing industries, total employment, adjusted for seasonal variation, held up well until the latter part of the year then declined to a slightly lower level in December and January. Unemployment rose rather sharply from October to January, when it was the highest in more than two years. With reduced factory payrolls, wages and salaries in commodity-producing industries declined about 2 percent from November to December. But this decline was partly offset by an increase in proprietors' income and in unemployment insurance benefits, and total personal incomes declined about one billion dollars to an annual rate of 285 billion in December.

Sales by retail stores declined nearly 3 percent from November to January, after adjustment for seasonal differences. Sales by durable goods stores were off about 7 percent as sales by the automotive group dropped nearly 13 percent from November. Sales of nondurable goods in January were slightly above November but down a little from December. Business inventories reached a peak in September then declined, and by the end of the year had dropped 1 billion dollars Ratios of stocks to sales for many durable goods at the close of 1953 were well above the levels in mid-1953 and appeared high compared with ratios in recent years.

Commodity Highlights

Meat animal prices have risen seasonally since last fall. Price gains are most notable for stocker and feeder cattle, veal calves and hogs. Prices of sheep and lambs have been a little higher, but fed steers have edged a little lower in recent weeks and in mid-February they also were not greatly below comparable 1953 levels. Smaller supplies of

livestock for slaughter are indicated for the first half of this year. Price supports on manufactured dairy products will be lowered to 75 percent of parity starting April 1 from 90 percent of parity in the current marketing year. Milk production in 1954 probably will reach 124 billion pounds compared with the record 121.2 billion in 1953. Egg prices continued into February at relatively high levels reflecting a strong demand for consumption and freezing. But broiler prices continued low and supplies large. Domestic disappearance of edible fats and oils in October-December was 8 percent greater than the year before, and even though production of edible oils was up, stocks have not increased as much as usual. Prices of feed grains have advanced seasonally from the levels reached last fall, but in January they continued lower than a year earlier and were generally below the national average support prices. Wheat prices in general are slightly above mid-January and are expected to continue to strengthen, because the large quantity of wheat under the price support programs has reduced supplies of wheat available for sale. Utilization of Florida oranges through February 13 of the 1953-54 season was much greater than in the same part of a year earlier. The increase was made into frozen orange concentrate, with prices paid to growers for oranges going into frozen concentrate somewhat under January and February 1953. Total quantity of winter-harvest fresh vegetables is expected to be only slightly lower than a year earlier. But total stocks of canned and frozen vegetables are moderately to considerably larger than a year earlier. Recent wholesale quotations of some frozen vegetables have been slightly lower than in 1953. Prices for potatoes and sweetpotatoes will continue lower than in early 1953. The market price of cotton has increased steadily since the first of January, as stocks in commercial channels decreased. Mill consumption of apparel wool declined in the last half of 1953 due primarily to unusually warm weather and relatively large manufacturers' inventories. The season average price for the 1953 Burley tobacco crop probably will average near 52 1/2 cents compared with 50.3 cents for the 1952 crop--the crop was 12 percent smaller. Distribution of sugar for domestic consumption in 1953 was a record.

GENERAL BUSINESS CONDITIONS

Business activity continued the moderate decline in December and January that has been underway since July 1953. The Nation's total output of goods and services in the fourth quarter was estimated at a seasonally adjusted annual rate of 363.5 billion dollars, down about 8 billion from the record rate of the second quarter. Most of the decline resulted from a reduction in output to avoid inventory accumulation in the face of reduced sales. Total sales by business in December were down 6 percent from their peak in July. Business inventories continued to accumulate after sales turned down, and reached a peak in September. Total stocks have since been reduced, and at the end of December were down nearly 1 billion dollars from the September peak to about the July level. The index of industrial production in December was 7 percent below the peak reached in May and July. In January the index declined about 1 1/2 percent to a point 7 percent below January 1953. Durable manufactures were down 2 percent during the month and nondurables 1 percent, but output of minerals rose 2 percent. However, construction expenditures, after adjustment for seasonal factors, increased in the last two months of last year and continued high in January. Outlays for new business plant and equipment in the first quarter were scheduled at a rate only slightly below the last three months of 1953 and 3 percent higher than in the same months of 1953.

Consumer Incomes and Spending

Total personal income in the fourth quarter was at an annual rate, seasonally adjusted, of 285.9 billion dollars, off about 1 billion from the third. Income receded in the last two months of the year, and in December was 2.8 billion dollars below the record annual rate of 287.5 billion in July. Most of the decline was in wage and salary receipts in manufacturing and mining industries, as employment was reduced by curtailed production. Wages and salaries in other industries totaled the same as July. Rental income continued to increase, but income from interest and dividends in December was about unchanged from July.

The slight decline in personal consumption expenditures in the fourth quarter about equaled the decline in income after taxes. Spending during the quarter was down 4 percent for durable goods and 1 percent for nondurables, but outlays for housing and other services totaled nearly 2 percent higher. Retail sales in January, after adjustment for seasonal differences, declined about one percent from December to a level 3 percent below a year earlier.

Recent Trends in Sales, Production, and Inventories

Nondurable Goods

Total business sales of nondurable goods at the end of 1953 were down about 3 percent from July. Retail sales were down 2 percent; and sales by manufacturers of nondurable goods were off 3 percent, reflecting sizable cutbacks in deliveries of textile mill products, leather products, chemicals and allied products, and rubber products. However, larger sales were reported by manufacturers of food and beverages.

In response to the decline in sales and to a buildup of inventories in some industries, output of nondurable goods dropped about 6 percent over the period. Largest cutbacks occurred for textiles, apparel, leather, rubber products, and minerals. Total inventories changed little as small declines at the manufacturing and retail levels were about offset by an increase in wholesalers' stocks. Manufacturers' stocks of leather products, paper, apparel, printing, and food increased but inventories were reduced in most other industries. In no major industry did inventories at the end of 1953 appear low relative to sales. Even after considerable reduction in output, ratios of stocks to sales at the manufacturing level still appeared relatively high for textile mills, apparel, leather products, and rubber. Retail stocks of apparel have been reduced slightly but with sales also declining moderately, ratios of stocks to sales increased after July. Although overall stocks-sales ratios for nondurable goods rose slightly from July through December at both the manufacturing and retail levels, they were not greatly out of line with ratios in earlier years.

Employment of production workers in the manufacturing of nondurables dropped 2 percent from July to December. Average weekly earnings were slightly higher, although the length of the workweek was reduced about 1 percent.

Table 1.- Nondurable Goods: Sales, production and inventories for selected periods, seasonally adjusted data

Item	Unit	1940 June	1948 June	1952 June	1953 July	1953 Sept.	1953 Dec.	Percentage change July to Dec. 1953
Retail:								
Sales............	Mil.dol.	2,735	7,448	9,131	9,367	9,117	9,224	- 2
Inventories.......	do.	3,510	8,986	11,305	12,013	12,003	11,990	1/
Stock-sales ratio.	Ratio	1.28	1.21	1.23	1.28	1.32	1.30	+ 2
Manufacturers:								
Deliveries........	Mil.dol.	3,298	10,248	11,531	12,957	12,682	12,530	- 3
Inventories.......	do.	6,578	15,578	19,887	20,093	20,129	19,928	- 1
Stock-sales ratio.	Ratio	1.99	1.52	1.72	1.55	1.59	1.59	+ 3
Production.........	(1947-49 =100)	n.a.	103	113	121	117	114	- 6
Order backlogs....	Mil.dol.	n.a.	4,156	3,171	3,354	3,000	2,319	- 31
Total business:								
Sales............	Mil.dol.	7,807	23,360	27,116	28,734	28,039	27,991	- 3
Inventories.......	do.	12,114	28,800	36,555	37,771	37,876	37,701	1/
Stock-sales ratio.	Ratio	1.55	1.23	1.35	1.31	1.35	1.35	+ 3

1/ Less than 0.5 percent decrease. n.a. Not available.

Durable Goods

Total sales of durable goods declined 11 percent from July to the end of the year. Manufacturers' sales were off 14 percent, wholesalers 3 percent and retailers 8 percent. The drop at retail reflected a decline of 10 percent for automotive dealers and 4 percent for furniture and appliance dealers. Manufacturers' deliveries of iron and steel were off nearly one-third, other primary metals one-fourth, fabricated metals 15 percent, and motor vehicles 12 percent. Most other major industry groups also reported moderate to substantial declines.

As sales were reduced production was cut back in order to correct or avoid burdensome inventories. Output of each of the major industry groups producing durable goods in December was below July on a seasonally adjusted basis with output for the group averaging 9 percent lower. Largest cuts occurred in the primary metals, machinery, automobiles and household goods. Deliveries of durables by manufacturers apparently dropped relatively more than production and their inventories in total increased slightly. But stocks at retail were a little lower and total business inventories of durable goods were about the same at the close of the year as they were in July. Manufacturers' stocks of primary metals, fabricated metals and most machinery products increased over the period despite fairly sizable production cutbacks. With declining deliveries,

the ratio of manufacturers' stocks to sales continued to increase in the last half of 1953 particularly for those industries showing inventory gains over the period. At the retail level, stock-sales ratios were materially reduced in October and November but they increased sharply in December as sales by durable goods stores dropped 6 percent from November.

Table 2.- Durable Goods: Sales, production and inventories for selected periods, seasonally adjusted data

Item	Unit	1940 June	1948 June	1952 June	1953 July	1953 Sept.	1953 Dec.	Percentage change July to Dec. 1953
Retail:								
Sales	Mil. dol.	1,120	3,463	4,883	5,102	4,865	4,693	- 8
Inventories	do.	2,187	6,279	9,201	10,730	10,921	10,645	- 1
Stock-sales ratio	Ratio	1.95	1.81	1.88	2.10	2.24	2.27	+ 8
Manufacturers:								
Deliveries	Mil. dol.	2,250	8,145	10,219	13,410	12,698	11,567	- 14
Inventories	do.	5,315	14,694	23,301	26,392	26,958	26,791	+ 2
Stock-sales ratio	Ratio	2.36	1.80	2.28	1.97	2.12	2.31	+ 17
Production	(1947-49= 100)	n.a.	104	125	157	152	143	- 9
Order backlogs	Mil. dol.	n.a.	25,061	71,406	69,366	64,188	55,940	- 19
Total business:								
Sales	Mil. dol.	3,968	13,199	18,101	21,665	20,614	19,295	- 11
Inventories	do.	8,553	24,400	38,067	43,345	44,124	43,333	1/
Stock-sales ratio	Ratio	2.15	1.85	2.10	2.00	2.14	2.25	+ 12

1/ Less than 0.5 percent decrease. n.a. Not available.

As retail sales and manufacturers' deliveries of durable goods declined in the latter part of 1953, new orders also fell off rapidly and by the end of the year were down about a fifth from July. Order backlogs on manufacturers' books also have been reduced steadily as deliveries exceeded new orders, and by the end of 1953 they were down 19 percent from July.

Employment of production workers in durable manufacturing industries dropped 5 percent from July to December. Average weekly earnings were 1 percent higher than July, but they were slightly below December 1952 because the average workweek was 4 percent shorter, reflecting a substantial decline in overtime work.

Construction Activity Holding Up

Expenditures for new construction declined less than seasonally in the last three months of 1953, and were near record in January, after seasonal adjustment. Private industrial building advanced contraseasonally

last month, but was 10 percent under January 1953. The value of new work on private residential construction declined a little more than seasonally, but outlays were a little above a year earlier. New private housing starts were at a seasonally adjusted rate 3 percent below December and 5 percent under January 1953. Public housing starts were only a third of the number in that month last year. Most other major types of building showed the usual January declines. Private expenditures were at record January levels for new commercial, religious, and educational building and for public utilities, as were public expenditures for schools, highways, and sewer and water construction. However, expenditures for all other major types of public construction in January were below a year ago.

Employment in the construction industry, after adjustment for seasonal variations, held relatively steady in recent months near levels of a year earlier. Construction costs also have varied little. But costs of most types of construction are up moderately from a year earlier largely because of higher average hourly earnings of construction workers.

Unemployment Increases

With the tapering off in economic activity in recent months, employment was cut back, particularly in the manufacturing industries. However, total employment adjusted for seasonal differences held up well from July through November then dropped off to a slightly lower level in December and January. Unemployment rose fairly rapidly in the last quarter of 1953 and totaled nearly 2.4 million in January, the highest level in more than two years. In a new sample for the labor force survey drawn from a larger number of sample areas, unemployment in early January was indicated at about 3.1 million. The estimate of employment was about the same as in the old sample. Since the second week in January, initial claims for unemployment insurance have continued downward as in previous years but the decreases have been smaller than usual. Initial claims filed through February 6 totaled 2.5 million, 71 percent above the same period of 1953 and weeks of unemployment claimed were up 74 percent.

Employment in early January, at 59.8 million, was more than 700,000 fewer than in January 1953. However, unemployment was up by only 467,000 because of a decline in the labor force of some 279,000 workers from January 1953 to January this year. Groups accounting for most of the reduction in the labor force were females under 35 and over 65 and males under 25 years of age.

FEDERAL BUDGET FOR FISCAL 1954-55

Purchases of goods and services by Federal, State and local Governments in 1953 totaled about 23 percent of the estimated 367 billion dollars which consumers, businessmen and the Government spent for goods and services. Since spending by the Government is a large part of the total demand for goods and services, current and proposed Government outlays are key factors in the economic outlook.

The new budget for fiscal year 1954-55 schedules expenditures by the Federal Government for goods and services and such other items as Federal transfer payments, interest and grants-in-aid to States at 65.6 billion dollars. This compares with 70.9 billion dollars estimated for 1953-54 and 74 billion dollars in 1952-53. Budget receipts for fiscal 1953-54 are estimated at 62.7 billion dollars, indicating a deficit of 2.9 billion compared with 3.3 billion estimated for fiscal 1953-54 and a 9.4 billion-dollar deficit in 1952-53.

The bulk of proposed budget outlays, as in recent past years, is in major national security programs. These programs include primarily the military functions of the defense department, the mutual foreign military program, atomic energy and stockpiling of strategic materials. National security spending is scheduled at 44.9 billion dollars for fiscal 1954-55 compared with an estimate of 48.7 billion for 1953-54 and outlays of 50.3 billion in 1952-53. The cut in national security expenditures would account for the largest part of the reduction in spending from 1953-54 rates. Reduced spending is scheduled for Army and Navy defense activities and for the stockpiling program. But larger outlays are planned for atomic energy, mutual foreign military programs, airpower and our continental defense. These changes are based largely on the long range plan recommended by the Joint Chiefs of Staff and on the cessation of hostilities in Korea.

Another big part of the budget consists of expenditures for Government activities which are largely fixed by law, such as interest on the debt, veterans benefits and grants-in-aid to States. These programs total 14.1 billion dollars for fiscal 1954-55, about the same as estimated for the current fiscal year. All other outlays, which include expenditures for a large number of the day-to-day operations of the Federal Government, are estimated at 6.6 billion dollars, about 1.5 billion below fiscal 1953-54.

Table 3.- Federal budget receipts, expenditures, and deficit, for fiscal 1952-53 and estimates for 1953-54 and 1954-55

(Billion dollars)

Item	1952-53	Estimated	
		1953-54	1954-55
Expenditures			
National security program	50.3	48.7	44.86
Other	23.7	22.2	20.71
Total	74.0	70.9	65.57
Receipts	64.6	67.6	62.64
Deficit	9.4	3.3	2.93

Outlays by State and local Governments for goods and services have increased by about 2 billion dollars a year since World War II and at the end of 1953 were at an annual rate in excess of 26 billion dollars. New schools, new roads and other facilities, many of which were deferred over the past decade, are still needed, despite the large volume of new construction in recent years. With the financial position of State and local Governments relatively favorable, outlays for needed facilities are expected to continue to rise over the coming year. This should partly offset the planned reduction in Federal outlays for goods and services.

COMMODITY PRICES

The all commodity index of wholesale prices in early February was slightly below mid-January as prices for processed foods declined about 1 percent to year-ago levels. Prices for farm products were down a little to about 1 percent below a year earlier. Industrial prices averaged about the same as in mid-January, but were nearly 2 percent higher than a year ago.

The sensitive index for 22 basic commodities on February 9 was about the same as in mid-January. A decline of 4 percent for metals was only partly offset by an increase of 16 percent for tallow and small

Table 4.- Indexes of wholesale and basic commodity prices, selected groups, February 9 with comparisons

(1947-49=100)

Group	Feb. 9, 1954	Jan. 12, 1954	Feb. 10, 1953	February 9, 1954 percentage change from Jan. 12, 1954	February 9, 1954 percentage change from Feb. 10, 1953
22 Basic Commodities					
All commodities	88.4	88.6	87.9	-0.2	0.6
Foodstuffs	97.9	97.7	85.1	.2	15.0
Raw industrial	82.2	82.6	89.8	-.5	-8.5
Livestock and products	76.6	74.9	60.2	2.3	27.2
Metals	82.0	85.6	104.1	-4.2	-21.2
Textiles and fibers	88.4	87.6	90.2	.9	-2.0
Fats and oils	73.7	70.7	56.1	4.2	31.4
Wholesale prices					
All commodities	110.5	110.9	109.4	-.4	1.0
Farm	98.2	98.5	98.9	-.3	-.7
Food, processed	104.7	106.1	104.5	-1.3	.2
All other than farm and food	114.4	114.5	112.7	-.1	1.5

gains for some other commodities. The consumer price index for urban families in December was only slightly lower than in November. Food prices, rent, and charges for medical care and some other services were slightly higher, but transportation costs were lower as prices for some automobiles declined. Prices for apparel also were slightly lower. The index of prices of items bought by farmers for family living rose 1 point from December to equal the previous mid-January high of 1952. Except for building materials and auto supplies, prices of family living items advanced generally during the month.

Table 5.- Indexes of prices received and paid by farmers, January 1954 with comparisons

(1910-14=100)

Group	Jan. 15, 1954	Dec. 15, 1953	Jan. 15, 1953	January 15, 1954 percentage change from Dec. 15, 1953	January 15, 1954 percentage change from Jan. 15, 1953
All farm products	259	254	268	2	-3
All crops	240	238	254	1	-6
Food grains	233	230	245	1	-5
Feed grains and hay	207	205	222	1	-7
Cotton	254	260	253	-2	1/
Tobacco	420	427	419	-2	1/
Oil-bearing crops	268	269	291	2/	-8
Fruits	222	237	220	-6	1
Commercial vegetables	271	224	263	21	3
Potatoes, sweetpotatoes and beans	145	145	283	0	-49
Livestock and products	277	269	281	3	-1
Meat animals	309	285	303	8	2
Dairy products	274	282	294	-3	-7
Poultry and eggs	213	218	218	-2	-2
Wool	293	293	287	0	2
Prices paid, interest, taxes and wage rates	282	278	284	1	-1
Family living items	271	270	268	1/	1
Production items	254	250	265	2	-4
Parity ratio	92	91	94	1	-2

1/ Less than 0.5 percent increase.

2/ Less than 0.5 percent decrease.

Prices Received and Paid by Farmers Higher

The index of Prices Received by Farmers was 259 percent of the 1910-14 average on January 15, 5 points above December. Higher prices for hogs, beef cattle, and commercial vegetables, and small increases for lambs, chickens, wheat and hay were only partly offset by declines for cotton, tobacco, fruits, milk, and eggs. During the same period the Index of prices Paid for Commodities, Interest, Taxes, and Wage Rates rose 4 points to 282, primarily because of higher prices paid for feeder livestock. The indexes of farm wage rates, interest, and taxes also rose. The parity ratio was 92, 1 point above mid-December but 2 points lower than January 1953.

Central market prices for a number of major farm products in mid-February averaged near the mid-January level. Prices at Chicago were up 1 percent for No. 3, Yellow corn and 6 percent for No. 2, Yellow soybeans. The price of No. 2, Hard Winter wheat at Kansas City was 2 percent higher. The 10-market average for Middling 15/16 inch cotton gained 3 percent, and the New York price for U. S. No. 1 Katahdin potatoes rose 2 percent from mid-January. Prices for eggs, Midwestern, Mixed Colors, Fancy Heavy Weights, 65%-A declined about 6 percent in late January and early February to about the same as January 15. Average weekly prices at Chicago for barrows and gilts in the second week in February were 2 percent higher than those in mid-January, but slaughter steers were down 5 percent and slaughter cows 1 percent. Prices for Delmarva broilers on February 5 were 8 percent below those on January 15. Prices at Minneapolis were down 5 percent for flaxseed and 2 percent for rye.

FARM INCOME

Farmers received about 2.7 billion dollars from marketings in January, down seasonally from December and a little below the 2.8 billion for January 1953. Cash receipts for livestock and products were about 1.4 billion dollars, approximately the same as in January of last year. January crop receipts were around 1.3 billion dollars, slightly below a year ago. In December, receipts from livestock and products were 1.4 billion dollars and from crops 1.6 billion dollars.

1953 Summary

Farm operators' realized net income in 1953 is estimated at 12.8 billion dollars, down 5 percent from 1952. Realized gross farm income was down 4 percent to 35.0 billion dollars, and production expenses declined 4 percent to 22.2 billion dollars.

Cash receipts from farm marketings totaled 31.0 billion dollars in 1953, or 4 percent less than in 1952. Receipts from livestock and products last year were 17.2 billion dollars about 6 percent below the previous year, and crop receipts of 13.8 billion dollars were down 2 percent.

LIVESTOCK AND MEAT

Meat animal prices have increased seasonally since last fall. Price gains are most notable for stocker and feeder cattle, veal calves and hogs. Stocker and feeder steer prices at 8 central markets in mid-February were around $19.00 per 100 pounds, $3.50 above last September and close to prices of February last year. Prices of fed steers have edged a little lower while sheep and lambs have been a little higher in recent weeks and at mid-February both were fairly close to comparable 1953 levels. February prices of hogs at central markets were up $5.00 from their November low and about equal to the all-time high for that time of year.

The improved strength in meat animal prices is partly a normal seasonal trend but also reflects a small reduction from last year in livestock slaughter and the meat supply. Hog slaughter is running substantially below last year. The 9 percent smaller 1953 fall pig crop will hold slaughter below last year for several months--probably until late summer. With 9 percent fewer cattle and calves and 4 percent fewer lambs on feed, January 1, less fed beef and lamb will produced this winter and spring than last. However, total cattle slaughter will average larger than last year.

Total slaughter and meat output will continue large, and this fall it probably will about equal the high level of last fall. In recent weeks the movement of cattle to feedlots has been above a year earlier, pointing to well maintained supplies of fed beef this summer and fall. Moreover, the inventory of 94.7 million cattle and calves on farms January 1, which is up 1.0 million to a new record, points to a total beef output in 1954 not greatly different from last year. Sheep and lamb numbers were reduced a little this January, with nearly proportionate decreases in stock sheep and sheep and lambs on feed. Hog numbers also were lower, but hog production is turning upward as 4 percent more pigs are planned for this spring than last year.

DAIRY

The lowering of price supports on dairy products to 75 percent of parity starting April 1, from 90 percent of parity in the current marketing year, will result in declines in retail prices for manufactured dairy products and lower fluid milk prices in many city markets. Such reductions, with consumer incomes continuing high, will induce some increase in consumption of milk and dairy products. However, in calendar year 1954 the effects of these lower prices on milk production will be offset by other influences and milk production will show a further increase.

Production of milk in the United States in 1954 probably will reach 124 billion pounds compared to the previous record high of 121.2 billions set last year. The basis for continued large milk output has been set by the 3 percent increase in number of milk cows and continued large feed supplies, barring widespread dry weather. While price relationships will be less favorable to dairying this year than last, alternative uses of resources do not appear to offer better opportunities.

Use of dairy products in 1953 totaled 116 billion pounds leaving 5.7 billion pounds of milk that was made into manufactured dairy products bought by the Commodity Credit Corporation under the price-support program.

Wholesale prices for manufactured dairy products are continuing at the equivalent of support prices for milk and butterfat, slightly below year earlier levels. Prices paid by dealers for milk for fluid use show declines ranging from a few cents per 100 pounds in some markets to more than a dollar per 100 pounds, the equivalent of nearly 3 cents per quart, in the Southwest. However, in general, retail price adjustments have not paralleled the declines in prices paid by dealers and the U. S. average retail price in early 1954 was lower than January 1953 by only .4 cent per quart, or 2 percent.

Though consumer incomes were a record high in 1953 and retail prices a little lower than in 1952, consumption of some dairy products declined last year. The milk equivalent of all dairy products consumed per person was 689 pounds in 1953, a new record low, compared with 731 pounds as recently as 1950 and an average of 791 pounds prior to World War II. The increase in stocks of dairy products in 1953 (mostly held by USDA) was equivalent to 36 pounds of milk per person, or 5 percent of the actual annual per capita use. In other words, if the 1950 per capita consumption had continued in 1953, there would have been no surplus of milk in the United States.

EGGS AND POULTRY

Egg prices remained slightly above a year earlier into February but broiler prices continued considerably lower. Prices of fresh young turkeys--at this season mostly Beltsvilles and other small breeds-- have declined somewhat from Thanksgiving and Christmas levels. Production of all of these commodities continues at record or near record rates for the season.

January egg production was a record for the month. The flock was 2 percent larger than in January 1953, but the monthly rate of lay per bird was down slightly. February 1 egg production per bird was 4 percent below a year ago. Egg production per bird in March, April, and May is unlikely to significantly exceed that in the corresponding 1953 months. A continued strong consumer demand, plus the requirements of the users of frozen egg, have been the outstanding factors affecting the price. February 1 storage stocks of frozen egg were 11 percent below January 1, and near the low level of a year earlier.

Although broiler prices by early February had risen from the extreme low of December, they continued unprofitable to producers. In the week ended February 13, Del-Mar-Va farmers received 20.4 cents per pound for broilers, compared with 28.4 cents six months earlier. Their current feed prices were $104 per ton, slightly higher than 6 months earlier. Contrary to the experience during past price slumps, broiler chick placements have continued at record or near-record levels. A record broiler supply is expected for March, with April slaughter also to be very large.

Supplies of fresh small turkeys are likely to be large soon after the time that broiler supply will be at its peak and storage stocks of roasting chickens will still be large. The January 1954 hatchings of small turkeys were 90 percent above a year earlier, while heavy breed turkey hatchings were up 41 percent. These rates of increase may not be sustained for the season as a whole, particularly for small-breed turkeys, since the prospective large production has led the Turkey Advisory Committee of the Department of Agriculture to caution growers against unusual increases.

FATS, OILS AND OILSEEDS

Domestic disappearance of edible fats and oils in October-December 1953 was 8 percent greater than the year before. Increases for edible vegetable oils more than offset some decline in use of lard. Butter consumption also was up.

Production of edible oils (including the oil equivalent of soybeans and peanuts exported for crushing) in the first 3 months of the present crop year was greater than a year earlier. But with larger disappearance, stocks have not increased as much as usual. Tenders of 1953 crop cottonseed oil to CCC through February 3 totaled 293 million pounds, crude basis. This is equivalent to about 15 percent of the estimated output for the crop year.

Lard supplies continue relatively small and prices are well above prices for the major edible vegetable oil prices. The reduction in output from last year reflects a substantial decline in hog slaughter along with lower yield per animal slaughtered. Lower yields often accompany declines in slaughter because a greater percentage of the available fat may be used in maintaining supplies of pork and fatcuts and hence cannot be diverted to lard. Total disappearance of lard has not dropped as much as production and stocks have remained relatively low. Stocks on January 1, 1954 totaled 74 million pounds, only 35 percent of the quantity on hand the year before.

Prices of soybeans rose to new highs for the season in February. Crushings continue near last year's level (although the total for this year is expected to be down sharply) and exports so far this crop year are at a record level.

CORN AND OTHER FEED

Prices of feed grains have advanced seasonally since last fall, but in January they continued lower than a year earlier and were generally below the national average support prices. Prices of most byproduct feeds also have advanced since last fall, with the greatest increase in soybean meal. In early February prices of soybean meal and animal protein feeds were higher than a year earlier, while prices of most other byproduct feeds were somewhat lower. The total tonnage of 1953 feed grains placed under price support through January 15 this year was about 60 percent larger than in the same period of 1952-53 and was near record for the period. In addition a large quantity of old corn remains under loan or in CCC ownership. The Department of Agriculture announced on February 2 that 1948 and 1949

corn owned by CCC is available for sale at the market price, but not less than the current support price for the county in which the corn is stored. In early February the CCC owned approximately 160 million bushels of 1948 corn and 25 million bushels of 1949 corn.

Stocks of feed grains on January 1 were 4 percent larger than a year earlier and near record in relation to the number of livestock on farms. Disappearance of feed grains during the remainder of the 1953-54 season may be about the same as in that period of 1952-53, and a near-record carryover into 1954-55 is in prospect.

On January 20 the Secretary of Agriculture announced corn acreage allotments calling for a reduction in the commercial area of 9.8 million acres, or 17.4 percent from that planted in this area last year. Farmers are required to plant within their acreage allotment to be eligible for price support. The 1954 support price in the commercial area will be set at 90 percent of the parity price at the beginning of the 1954-55 season.

WHEAT

The large quantities of wheat placed under support programs, together with quantities owned by CCC, have greatly reduced the supply of wheat in the regular channels of trade. As a result, wheat prices have been continuing the advance which started in early October, and are expected to continue to strengthen. Mid-January prices received by farmers averaged $2.03, still 18 cents below the national announced loan rate of $2.21. Since mid-January the market price has advanced some further.

Through January 15, about 477 million bushels of 1953-crop wheat had been placed under support programs. Farmers had until January 31 to take advantage of these programs. On January 27 the CCC owned 438 million bushels of wheat from previous harvests. These two items, less an allowance of 10 million for redemptions so far this season, total 905 million bushels. This total exceeds the probable carryover July 1, 1954, indicated by expected disappearance at about 840 million bushels. Additional quantities probably were placed under loan between January 15 and January 31. On the basis of these figures, it would appear that prices would have to advance sufficiently to induce farmers to redeem wheat from under loan, if minimum working supplies are to be available. The quantity of such redemptions would depend to some extent on when the new harvest begins.

Exports, including products in terms of wheat, in July-January totaled about 120 million bushels compared with 189 million for the same period a year earlier. If this rate should be maintained through June, exports for the marketing year ending June 30, 1954 would total about 205 million bushels, which is substantially below the 417 million-bushel average in 1945-51, and the 317 million bushels exported in 1952-53, but still above the 190 million bushel average for 1920-52.

Wheat supplies for the 1953-54 marketing year are estimated at about 1,734 million bushels, consisting of a crop of 1,169 million, a carryover July 1, 1953 of 562 million and imports of about 3 million. Domestic disappearance may total about 690 million. Assuming exports amount to 205 million, the July-January rate, the carryover on July 1, 1954 would total about 840 million bushels. This would be the largest of record, substantially exceeding the previous record of 631 million bushels July 1, 1942. Most of the carryover next July, however, will be owned by CCC or still under loan compared with 420 million bushels so held in 1942 out of 631 million bushels.

According to the Government Crop Report of February 1, fall-sown wheat has wintered well so far, but still faces a hazardous period. Snow cover was generally present during the cold weather. In the Great Plains area the moisture shortage since early December has merely slowed growth and replacement of top growth where heavily grazed. Topsoil is loose and dry, however, making the small plants vulnerable if soilblowing should occur.

FRUIT

Consumer demand for fruit is expected to continue at about present levels this winter and spring. Moreover, demand for Florida oranges for processing probably will continue about as strong as in the first half of 1953. Movement of the heavy year-end stocks of pears has been assisted by the purchase of 178 carloads by the Department for distribution to the School Lunch Program and other eligible outlets.

Utilization of Florida oranges was seasonally heavy in January and early February, and the total through February 13 of the 1953-54 season was much greater than in the same part of 1952-53. The increase was made into frozen orange concentrate. Because of the larger crop, supplies of Florida oranges remaining to be marketed after February 13, 1954 were about 15 percent larger than a year earlier. Prices paid growers for oranges for manufacture into frozen concentrate continued fairly steady during most of January, but declined in late January and early February to a level somewhat under prices in February 1953. On the terminal auctions, prices declined during early January but advanced later in the month and in early February to levels somewhat under those of a year earlier. Auction prices for California oranges also increased in late January and early February to levels considerably above a year previously. Remaining supplies of California oranges on February 1 were considerably lighter than a year earlier.

Total utilization of Florida grapefruit through February 13 of the 1953-54 season also has been considerably larger than in the same part of 1952-53. About half of the increase was processed. With the 1953-54 crop 17 percent larger than the preceding crop, supplies of Florida grapefruit remaining to be marketed after February 13 were about 20 percent heavier than a year earlier. Auction prices declined as usual in January, and in early February they averaged somewhat lower than a year earlier.

Stocks of apples in cold storage on February 1, 1954 were nearly the same as on that date in 1953, but those of pears were much larger. Packers' stocks of canned apples on January 1, 1954 were 20 percent smaller

than a year earlier, but those of canned applesauce were 2 percent larger. Grower prices for apples have advanced since the seasonal low point in October, and in January 1954 they averaged about the same as a year earlier. Prices during the first half of 1954 probably will average about as high as in this part of 1953. Because of the larger remaining stocks of pears, auction prices this winter and spring are likely to continue under those of the first half of 1953.

COMMERCIAL VEGETABLES

Consumer demand for fresh and processed vegetables is expected to remain at about current levels this spring. Prices at retail and prices received by farmers will be affected chiefly by supplies available.

Total quantity of fresh vegetables harvested this winter is expected to be about 5 percent lower than a year earlier, but prices may be influenced by the large stocks of potatoes, cabbage and onions available from storage. Stored onions and cabbage, however, will cease to be much of a factor by April 1. Prospective acreage of early spring onions in Texas is substantially smaller than a year earlier.

Total stocks of canned and frozen vegetables are moderately to considerably larger than a year earlier, and recent wholesale quotations of some frozen vegetables have been slightly lower than in late 1953.

POTATOES AND SWEETPOTATOES

Supplies of 1953 crop potatoes from storage are abundant. Prices for potatoes and sweetpotatoes will continue lower than in early 1953. Prospects are for smaller supplies of new potatoes this spring than last, based on acreage indications.

COTTON

The market price of cotton has increased steadily since the first of January. The average 10-spot market price for middling, 15/16 inch cotton on February 16 was 34.13 cents per pound, compared with 32.85 cents on January 4 and 32.54 cents on February 16, 1953. During most of the period from August 1, 1953 through December 1953, prices were below a year earlier and below the average loan rate at the 10-spot markets for middling, 15/16 inch cotton.

On February 12, stocks of cotton owned by the CCC, in the CCC producers' pool, and covered by outstanding loans amounted to about 8.4 million bales. This is only 1.3 million bales less than the carryover expected at the end of the current marketing year. However, some cotton covered by 1953 crop loans is being withdrawn from the loan. During the week ending February 12, entries into the loan were 54 thousand bales and 34 thousand bales were withdrawn.

Exports of cotton from August 1 through December 1953 were 1.2 million bales, compared with 1.4 million for the same period a year earlier. Although exports during the first 5 months of the current season were below those during the same period of the 1952-53 marketing year, exports during the remainder of the 1953-54 marketing year will probably be larger than

those of a year earlier. Foreign exporting countries have liquidated most of their surplus stocks, and prices of foreign cotton (other than Brazilian) have increased to about the same level as prices of U. S. cotton. In importing countries, consumption continues at high levels, and stocks are abnormally low.

The average daily rate of cotton consumption by domestic mills in January was 33.9 thousand bales. This compares with 36.8 thousand a year earlier. Cotton consumption in the 1953-54 season to date has been below the same months of a year earlier.

WOOL

The rate of mill consumption of apparel wool in the United States began to decline during the third quarter of last year. During November and December it was over one-third below a year earlier and the lowest since May 1940. The average weekly rate during the fourth quarter was the lowest for that quarter since 1937. However, since the rate of consumption during January-August was well above a year earlier, total use for the year was about the same as the year before. The decline during the latter part of the year probably reflected relatively large inventories of manufacturers in relation to sales. Sales were lower than expected. Some improvement in the rate of consumption is likely as these ratios are reduced to better working levels. The rate of carpet wool consumption during the latter part of the year was also below a year earlier, but the total for the year was slightly above the quantity used during the entire year 1952.

United States imports of dutiable wool for consumption last year were substantially below the year before. The lower imports of such wools reflect the larger quantity of domestic wool used last year and the heavier use of trade stocks to meet requirements. Imports of duty-free wool during the latter part of last year were below a year earlier, but the total through November was well above the quantity for the entire year 1952. The increase reflected the greater use of wool in the manufacture of floor coverings last year and an increase in trade stocks.

Wool prices generally have been relatively stable since early 1953. It appears likely that they will continue so through the current British Dominion auction season. Prices of most fine wools at the auctions early in February were slightly lower than a year earlier, but prices of crossbreds were a little higher. Quotations at Boston for most imported wools were up slightly from a year earlier. Quotations for most domestic wools were about the same as a year earlier.

Loans were outstanding on about 30.3 million pounds of shorn wool on January 31. A year earlier, 90.6 million pounds were under loan. With world demand stronger this season and the national average support level about a cent lower than for the 1952 clip, a larger portion of the clip is being sold outside the program.

TOBACCO

Practically all of the 1953 Burley crop has been marketed, and the last market to close will hold final sales on February 26. The season average price probably will be near 52½ cents compared with 50.3 cents for

the 1952 crop. The 1953 crop was about 12 percent smaller than the record 1952 crop. Kentucky-Tennessee fire-cured tobacco auctions opened in the last week of January. Drought in this area lowered quality, and prices for types 22 and 23 the first 3½ weeks' sales averaged 12 and 22 percent lower respectively than in the comparable period of last season. For the same reason, average prices of Kentucky-Tennessee dark air-cured have been well below those of last season. Auctions of Virginia fire-cured tobacco closed in early February with volume totaling about one-fourth less than in the previous season and the price averaged slightly higher. Prices of Wisconsin cigar tobacco have been somewhat higher than last season.

The number of tax-paid cigarettes consumed in the United States fell 2 percent below the 1952 record but the number of pounds of tobacco consumed was probably very nearly the same, since the proportion of "king size" cigarettes increased. Cigar consumption in 1953 was slightly above 1952 but manufactured smoking and chewing tobacco combined declined about 5 percent. Snuff consumption was practically the same in 1953 as in 1952.

Exports of unmanufactured tobacco in 1953 totaled 516 million pounds compared with 395 million in 1952 and 522 million in 1951. The postponement by the British of substantial shipments of tobacco from the latter part of 1952 until the early months of 1953 was a major factor accounting for the difference in the calendar year figures for tobacco exports in the last 2 years.

SUGAR

Distribution of sugar in 1953 for domestic consumption was a record 8,435 thousand tons, raw value, 4 percent more than in 1952.

Three increases of 100 thousand tons each in the initial 7,800 thousand ton quota were made in 1953 to satisfy consumption requirements. The initial quota for 1954 is 8 million.

The "world" price and the United States price of Cuban raw sugar trended in opposite directions again in 1953 with the average United States price rising to a postwar high and the Cuban price falling to a postwar low. Present estimates indicate that average price received by farmers for sugar beets and sugarcane in 1953 were the same as those received in 1952: $12.00 per ton for beets and $6.96 per ton for cane.

World sugar production in 1953-54 of about 39 million tons will set a new record, up 8 percent from last year's production. Most of the increase is attributable to a sharp upturn in European sugar output. Production restrictions are again in effect in Cuba.

An international Sugar Agreement is now in effect. While no country is obliged to sell or to buy sugar, exports quotas of free market sugar have been established to keep the price of raw sugar, f.a.s. Cuba, between 3.25 and 4.35 cents per pound. The agreement does not affect exports of sugar to the United States for consumption in this country.

U. S. Department of Agriculture
Washington 25, D. C.

OFFICIAL BUSINESS

AMS-DPS-2-54
PERMIT NO. 1001

Penalty for private use to avoid payment of postage $300